

FIRST UNITED CORP/MD/
Form DEF 14A
March 28, 2014

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

First United Corporation

(Name of Registrant as Specified in Its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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(1) Title of each class of securities to which transaction applies: N/A

(2) Aggregate number of securities to which transaction applies: N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): N/A

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: N/A

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing Party:

(4) Date Filed:

March 28, 2014

To Our Shareholders:

On behalf of the Board of Directors and the whole First United Team, I cordially invite you to attend the Annual Meeting of Shareholders to be held on Thursday, May 15, 2014, at 10:00 a.m., at The Wisp Resort, 296 Marsh Hill Road, McHenry, Maryland 21541. The notice of meeting and proxy statement accompanying this letter describe the specific matters to be acted upon. In addition, there will be a report on the progress of your Corporation.

Your vote on the matters to be acted upon at the Annual Meeting is important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented. To ensure that your shares are represented, I urge you to execute and return the enclosed Proxy Card or to submit your Proxy by telephone or Internet promptly. If you attend the meeting, you may withdraw your Proxy and vote in person, if you so desire.

There will be a reception with light refreshments immediately following the meeting for all registered shareholders. I look forward to seeing you there.

We are taking advantage of the Securities and Exchange Commission's rules that allow companies to furnish proxy materials to their shareholders through the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

Sincerely yours,

WILLIAM B. GRANT
Chairman of the Board &
Chief Executive Officer

P.O. Box 9 Oakland, MD 21550-0009 Telephone 888-692-2654

FIRST UNITED CORPORATION

19 South Second Street

P.O. Box 9

Oakland, Maryland 21550-0009

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 28, 2014

To Shareholders of First United Corporation:

Notice is hereby given that the Annual Meeting of the Shareholders of First United Corporation (the "Corporation") will be held at The Wisp Resort, 296 Marsh Hill Road, McHenry, Maryland 21541. The meeting is scheduled for:

THURSDAY, MAY 15, 2014, at 10:00 a.m.

The purposes of the meeting are:

To vote on the election of the five (5) nominees named in the attached Proxy Statement and form of Proxy to serve

1. on the Board of Directors until the 2017 annual meeting of shareholders and until their successors are elected and qualified.

2. To ratify the appointment of ParenteBeard, LLC as the Corporation's independent registered public accounting firm for 2014.

3. To approve, by a non-binding advisory vote, the Corporation's executive compensation program and policies.

- 4.

To transact such other business as may be properly brought before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed February 28, 2014 as the record date for purposes of determining shareholders who are entitled to notice of and to vote at the Annual Meeting of Shareholders.

Anyone acting as proxy agent for a shareholder must present a Proxy that has been properly executed by the shareholder, that authorizes the agent to so act, and that is in form and substance satisfactory to the judges of election and consistent with the Corporation's Amended and Restated Bylaws, as amended.

By order of the Board of Directors

CARISSA L. RODEHEAVER

Secretary

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FIRST UNITED CORPORATION

19 South Second Street

P.O. Box 9

Oakland, Maryland 21550-0009

(800) 470-4356

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of First United Corporation (the “Corporation”) of the accompanying Proxy to be voted at the Annual Meeting of Shareholders to be held on May 15, 2014, at 10:00 a.m. at The Wisp Resort, 296 Marsh Hill Road, McHenry, Maryland 21541, and any adjournment or postponements thereof. The cost of soliciting proxies will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by officers, Directors and regular employees of the Corporation personally or by telephone, electronic mail and/or facsimile. No additional remuneration will be paid to officers, Directors or regular employees who solicit proxies. The Corporation may reimburse brokers, banks, custodians, nominees and other fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to their principals. The approximate date on which this Proxy Statement and the related Proxy Card will be sent or given to shareholders is March 28, 2014.

As used in this Proxy Statement, the terms “the Corporation”, “we”, “us”, and “our” refer to First United Corporation and its consolidated subsidiaries unless the context clearly requires otherwise.

OUTSTANDING SHARES; VOTING RIGHTS; QUORUM AND REQUIRED VOTE

Shareholders of record at the close of business on February 28, 2014 (the “Record Date”) of issued and outstanding shares of the Corporation’s common stock, par value \$.01 per share (“Common Stock”), are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, 6,210,587 shares of the Common Stock were issued and outstanding. Each share is entitled to one vote on each matter submitted to shareholders.

The presence, in person or by proxy, of shareholders entitled to cast a majority of all votes entitled to be cast at the Annual Meeting shall constitute a quorum. Withheld votes (in the case of the election of directors), abstentions and broker non-votes will all be counted for purposes of determining whether a quorum is present.

Directors are elected by the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting. Accordingly, the withholding of a vote for a director nominee, as described in Proposal 1, will constitute a vote against that nominee, but a broker non-vote with respect to the election of directors will have no impact on the outcome of that vote. The ratification of the appointment of the Corporation's independent registered public accounting firm, as described in Proposal 2, and the approval of the advisory "Say-on-Pay" vote, as described in Proposal 3, each require the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting. Accordingly, an abstention or a broker non-vote with respect to Proposal 2 or Proposal 3 will have no impact on the outcome of those proposals. Except in cases of certain extraordinary matters for which the Corporation's governing instruments or applicable law require a different proportion, the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting is sufficient to approve any motion that comes before the meeting pursuant to Proposal 4, as described in this Proxy Statement. Abstentions and broker non-votes with respect to any motion that comes before the meeting pursuant to Proposal 4 (other than certain extraordinary matters as discussed above) will have no impact on the outcome of the vote on such motion.

All properly executed Proxies received pursuant to this solicitation will be voted as directed by the shareholders in their Proxies. If no direction is given in your Proxy, then, subject to the procedures governing broker non-votes (see "Methods of Voting" below), your shares will be voted FOR ALL NOMINEES named in Proposal 1, FOR ratification of the appointment of the Corporation's independent registered public accounting firm named in Proposal 2, FOR approval of the Corporation's executive compensation as described in Proposal 3, and in the discretion of the proxies as to any other matters that may properly come before the meeting, as described in Proposal 4.

Proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by: (i) the execution of a later dated Proxy; (ii) the execution of a later casted Internet or telephone vote with regard to the same shares; (iii) giving written notice to Carissa L. Rodeheaver, Secretary, First United Corporation, P.O. Box 9, Oakland, Maryland 21550-0009; or (iv) giving written notice to the Secretary in person at the 2014 Annual Meeting. Any shareholder who attends the 2014 Annual Meeting and revokes his/her proxy may vote in person. However, attendance by a shareholder at the 2014 Annual Meeting alone will not have the effect of revoking that shareholder's validly executed Proxy.

Methods of Voting

Shareholders may vote on matters that are properly presented at the 2014 Annual Meeting in four ways:

By completing the accompanying Proxy Card and returning it to the Corporation at the address noted on the Proxy Card;

By submitting your vote telephonically;

By submitting your vote electronically via the Internet; or

By attending the 2014 Annual Meeting and casting your vote in person.

For the 2014 Annual Meeting, the Corporation is offering registered shareholders the opportunity to vote their shares electronically through the Internet or by telephone. Instead of submitting the accompanying Proxy Card by mail, shareholders may vote by telephone or via the Internet by following the procedures described on the Proxy Card. To vote via telephone or the Internet, please have the Proxy Card in hand, and call the number or go to the website listed on the Proxy Card and follow the instructions. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers.

Please note that if you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), your broker, bank or other nominee will not vote your shares of Common Stock (a "broker non-vote") unless you provide voting instructions to your broker, bank or other nominee. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee when it sends this proxy statement to you. You may not vote shares held in street name by returning a proxy card directly to the Corporation or by voting in person at your annual meeting unless you provide a "legal proxy", which you must obtain from your bank, broker or nominee.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 15, 2014

This Proxy Statement, the accompanying Proxy Card, and the Corporation's Annual Report to Shareholders (including its Annual Report on Form 10-K for the year ended December 31, 2013) are available at <https://materials.proxyvote.com/33741H>. Information on this website, other than this Proxy Statement, is not a part of this Proxy Statement.

**BENEFICIAL OWNERSHIP OF COMMON STOCK BY
PRINCIPAL SHAREHOLDERS AND MANAGEMENT**

The following table sets forth information as of the Record Date relating to the beneficial ownership of the Common Stock by (i) each person or group known by the Corporation to beneficially own more than five percent (5%) of the outstanding shares of Common Stock; (ii) each of the Corporation's Directors, Director nominees and named executive officers (as defined below under "REMUNERATION OF EXECUTIVE OFFICERS"); and (iii) all Directors, Director nominees and executive officers of the Corporation as a group. Generally, a person "beneficially owns" shares if he or she has or shares with others the right to vote those shares or to invest (or dispose of) those shares, or if he or she has the right to acquire such voting or investment rights, within 60 days of the Record Date (such as by exercising stock options or similar rights). The percentages shown for 2014 were calculated based on 6,210,587 issued and outstanding shares of Common Stock, plus, for each named person, any shares that such person may acquire within 60 days of the Record Date. Except as otherwise noted, the address of each person named below is the address of the Corporation. So that shareholders can see how beneficial ownership has changed since the record date for the 2013 annual meeting of shareholders, the table also provides beneficial ownership as of February 25, 2013, which was the record date for the 2013 annual meeting of stockholders. The 2013 information was derived from the beneficial ownership table that appeared in the Corporation's definitive proxy statement for the 2013 annual meeting of shareholders and, as noted above, is based on ownership as of the record date for that meeting.

	2014 Common Stock Beneficially Owned as of 02-28-2014		Percent of Outstanding Common Stock	2013 Common Stock Beneficially Owned as of 02-25-2013
Directors, Nominees and Named Executive Officers:				
John F. Barr	3,000			* N/A
David J. Beachy	11,357			* 10,729
Brian R. Boal	645			* N/A
M. Kathryn Burkey	24,692	(1)		* 22,615
Paul B. Cox, Jr.	6,666			* 6,038
William B. Grant	28,325	(2)		* 23,825
Robert W. Kurtz	8,221	(3)		* 7,433
John W. McCullough	15,073			* 13,189
Elaine L. McDonald	21,340	(4)		* 19,862
Donald E. Moran	150,314	(5)	2.4	% 141,430
Carissa L. Rodeheaver	1,215	(6)		* 1,215
Gary R. Ruddell	8,597	(7)		* 7,969
I. Robert Rudy	44,767	(8)		* 44,039
Keith Sanders	1,929			* 1,729
Marisa A. Shockley	0			* N/A
Richard G. Stanton	19,461	(9)		* 18,833
Robert G. Stuck	8,121			* 7,493
H. Andrew Walls	44,502	(10)		* 42,618
Directors, Nominees & Executive Officers as a group (21 persons)	414,877		6.7	% 385,669
5% Beneficial Owners:				
Firstoak & Company P.O. Box 557 Oakland, Maryland 21550	299,179	(11)	4.8	% 302,326
United States Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, D.C. 20220	326,323	(12)	5.3	% 326,323
Total	1,040,379		16.8	% 1,014,318
Notes:				

*

Less than 1.0%.

(1)

Includes 247 shares owned by spouse.

(2) Includes 6,887 shares owned jointly with spouse, six shares owned by daughter, 2,425 shares owned in a 401(k) plan, 405 shares owned by spouse's IRA, 219 shares owned by spouse and daughter, and 18,000 shares of phantom stock held in a deferred compensation plan account ("Phantom Stock"). Each share of Phantom Stock represents a deemed investment of deferred compensation funds in one share of Common Stock and gives the officer the right to receive one share of Common Stock or the cash value thereof following the officer's separation from service with

the Corporation. The officer may transfer the funds held in the plan account into an alternative deemed investment option at any time.

(3) Includes 3,027 owned jointly with spouse.

Includes 230 shares held by spouse's IRA, 5,001 shares held in trust of which Mrs. McDonald is a beneficiary, and (4) 1,000 shares held by grantor trust of which Mrs. McDonald is trustee and beneficiary, which shares are pledged to secure a line of credit.

(5) Includes 55,000 owned by spouse.

- (6) Includes 283 shares held jointly with spouse, 17 shares held by spouse for benefit of a minor child, and 790 shares held in a 401(k) plan account.
- (7) Includes 520 shares owned by Ruddell, LLC of which Mr. Ruddell is owner.
- (8) Includes 905 shares owned jointly with spouse, 6,815 shares owned by spouse, 4,229 shares owned by daughters, and 2,000 shares of Phantom Stock in a deferred compensation plan account.
- (9) Includes 9,008 shares owned jointly with spouse and 1,748 shares held in spouse's IRA.
- (10) Includes 14,715 shares owned by Morgantown Printing and Binding, Inc. of which Mr. Walls is owner.
- (11) Shares held in the name of Firstoak & Company, as nominee, are administered by the Trust Department of First United Bank & Trust in a fiduciary capacity. Firstoak & Company disclaims beneficial ownership of such shares.
- (12) Amount represents shares that may be acquired upon exercise of a fully-vested common stock purchase warrant.

ELECTION OF DIRECTORS (PROPOSAL 1)

Directors are divided into three classes, as nearly equal in number as possible, with respect to the time for which the Directors may hold office. Except for Preferred Stock Directors (as defined below), each Director is elected to hold office for a term of three years, and the terms of one class of Directors expire each year. The terms of Class I Directors expire this year, the terms of Class II Directors expire in 2015, and the terms of Class III Directors expire in 2016. In all cases, Directors serve until their successors are duly elected and qualify. The number of Directors who shall serve on the Board is currently set at 17, but only 15 Directors currently serve on the Board.

At this year's Annual Meeting, shareholders will be asked to vote on the election of John F. Barr, Brian R. Boal, William B. Grant, John W. McCullough and Marisa A. Shockley to the Board. David J. Beachy and Paul Cox, Jr., current Class I Directors, are retiring from the Board at the conclusion of the 2014 Annual Meeting pursuant to the Board's mandatory retirement policy. Messrs. Grant and McCullough were elected by shareholders at the 2011 annual meeting of stockholders and are standing for re-election. Messrs. Barr and Boal and Ms. Shockley were nominated to fill the vacancies that will result from the retirement of Messrs. Beachy and Cox and to ensure that all three Classes contain five Directors. All of the nominees were nominated by the Nominating and Governance Committee (the "Nominating Committee"). Messrs. Barr and Boal and Ms. Shockley were recommended to the Nominating Committee for nomination by a non-management director. In the event a nominee declines or is unable to serve as a Director, which is not anticipated, the proxies will vote in their discretion with respect to a substitute nominee named by the Board.

The holders of shares of the Corporation's Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock") are entitled, if declared by the Corporation's Board of Directors, to quarterly cash dividends on each February 15th, May 15th, August 15th, and November 15th. Although the Board is not required to declare such dividends, the terms of the Series A Preferred Stock provide that the number of Directors who shall serve on the Board will be automatically increased by two if dividends have not been paid for an aggregate of six quarterly dividend periods or more, whether or not consecutive. Thereafter, holders of the Series A Preferred Stock, together with holders of any outstanding stock having voting rights similar to the Series A Preferred Stock, voting as a single class, will be entitled to fill the vacancies created by the automatic increase by electing up to two additional Directors (the "Preferred Stock Directors") at the next annual meeting (or at a special meeting called for the purpose of electing

the Preferred Stock Directors prior to the next annual meeting) and at each subsequent annual meeting until all accrued and unpaid dividends for all past dividend periods have been paid in full (at which point the terms of the Preferred Stock Directors will terminate and the number of Directorships will be automatically reduced by two). The Corporation has deferred the payment of cash dividends on the Series A Preferred Stock for more than six quarterly dividend periods, since November 15, 2010. Although this deferral has caused the number of Directors to increase to 17, the holder of the outstanding shares of Series A Preferred Stock has not notified the Corporation of any intention to elect two Preferred Stock Directors. Accordingly, such Directorships will remain vacant. Proxies cannot be voted for a greater number of persons than the five (5) nominees named in this Proxy Statement and on the Proxy card.

Information about the principal occupations, business experience and qualifications of these nominees is provided below under the heading "QUALIFICATIONS OF DIRECTOR NOMINEES AND CONTINUING DIRECTORS".

The Board of Directors recommends that shareholders vote **FOR ALL NOMINEES** named above.

Class I Directors

(Term expires in 2017)

Name	Age
John F. Barr	60
Brian R. Boal	41
William B. Grant	60
John W. McCullough	64
Marisa A. Shockley	49

CONTINUING DIRECTORS

The following tables identify each Director of the Corporation whose term does not expire in 2014. Information about the principal occupations, business experience and qualifications of these continuing Directors is provided below under the heading “QUALIFICATIONS OF DIRECTOR NOMINEES AND CONTINUING DIRECTORS”.

Class II Directors

(Term expires in 2015)

Name	Age
Robert W. Kurtz	67
Elaine L. McDonald	65
Donald E. Moran	83
Gary R. Ruddell	66
Carissa L. Rodeheaver	48

Nominees for Class III Directors

(Term expires in 2016)

Name	Age
M. Kathryn Burkey	63
I. Robert Rudy	61
Richard G. Stanton	74
Robert G. Stuck	67
H. Andrew Walls, III	53

QUALIFICATIONS OF DIRECTOR NOMINEES AND CURRENT DIRECTORS

In addition to bringing extensive knowledge of the communities served by the Corporation through their involvement with their communities, as business partners and volunteers, the Nominating Committee believes that all Director nominees and continuing Directors possesses a diverse balance of skills, business experience and expertise necessary to provide leadership to the Company. The following discussion sets forth the specific experience, qualifications, other attributes and skills of each Director nominee and continuing Director that led the Nominating Committee to determine that such person should serve on the Board of Directors. All current Directors also serve on the board of directors of First United Bank & Trust (the “Bank”), the Corporation’s wholly-owned subsidiary.

John F. Barr possesses board of director experience from his service of five years as a member of the Corporation’s Advisory Council (as defined below in “CORPORATE GOVERNANCE MATTERS – Director Recommendations and Nominations”). Mr. Barr has a vast amount of business experience as the President and sole stockholder of Ellsworth Electric, Inc. and Ellsworth Electric of PA, Inc., which provide comprehensive electrical contractor and insulation services for residential, industrial and commercial customers throughout Maryland, Pennsylvania, Virginia, West Virginia and Delaware. He is very active in the Washington County, Maryland community, serving as the Vice President of the Washington County Maryland Board of County Commissioners, President’s Club of United Way of Washington County, Washington County Election Board, and Washington County Economic Development Council.

Brian R. Boal has served as an Advisory Council member for the Corporation for the past 4 years. He has a vast amount of accounting and business experience through his education, his certification as a Certified Public Accountant, and his ownership and operation for the past 13 years of Boal and Associates, PC, *Certified Public Accountants*. Mr. Boal serves as a member of the American Institute of Certified Public Accountants and the Maryland Association of Certified Public Accountants. He serves as the Treasurer of many local organizations in his community of Garrett County.

M. Kathryn Burkey possesses substantial accounting and business experience gained through her education, her certification as a Certified Public Accountant, and her ownership and operation for the past 24 years of M. Kathryn Burkey, CPA, an accounting firm. She has gained director experience through her service as past Chairman of the Board of Western Maryland Health System, where she also served on its Compensation Committee, Audit Committee, and Finance Committee, and through her service as a Director of the Corporation and the Bank since 2005. She is also the past president of Maryland Association of Certified Public Accountants.

William B. Grant is the Chairman of the Board and Chief Executive Officer (“CEO”) of the Corporation and the Bank. Mr. Grant has over 36 years of banking experience, which experience includes service as a Director of the Corporation and the Bank since 1995 and service as a director of the American Bankers Association. He has been named Chair of the Compensation Committee for the American Bankers Association for 2014. He is past Chair of the Maryland Bankers Association and the American Bankers Association Community Bankers Council. He also has legal expertise gained through the practice of law. Mr. Grant is a graduate of Stonier Graduate School of Banking and Northwestern Trust Graduate School. He is also a Certified Financial Planner.

Robert W. Kurtz has 37 years of banking experience through his service as past President, Chief Risk Officer, and CFO of the Corporation and its affiliates, as well as through his service as a Director of the Corporation and the Bank since 1990.

John W. McCullough, a retired partner of Ernst & Young, LLP, possesses substantial tax and accounting experience. He is a Certified Public Accountant and obtained his B.S. degree in accounting from the University of Maryland. Mr. McCullough has served as a Director of the Corporation and the Bank since 2004.

Elaine L. McDonald brings valuable knowledge of the local real estate industry to the Board that she gained as a realtor with Long and Foster Realtors. She also possesses substantial business experience gained through her ownership and operation for 24 years of Alpine Village, Inc., a successful motel and restaurant. She also has knowledge with fundraising activities for national and community based non-profits. Mrs. McDonald has served as a Director of the Corporation and the Bank since 1995.

Donald E. Moran has served as a Director of the Corporation and the Bank since 1988. He obtained a B.A. degree in pre-law, with a split minor in History and Geography, from the University of Maryland. His business experience includes service as the president, secretary, and treasurer of Moran Coal Company since 1955. In addition to experience gained as a Director, Mr. Moran was the past president of First National Bank of Piedmont.

Carissa L. Rodeheaver is the President, Chief Financial Officer (“CFO”), Secretary and Treasurer of the Corporation and the Bank and has been employed by the Corporation since 2004 and by the Bank since 1992. During her tenure at First United and prior to her current appointments, she has served as Trust Officer of the Bank, Assistant Vice President and Trust Sales Officer of the Bank, Trust Sales Officer of the Bank, Vice President and Trust Sales Officer of the Bank, Trust Department Sales Manager of the Bank, and Vice President and Assistant Chief Financial Officer of the Corporation and the Bank. She has served as a Director of the Corporation and the Bank since November 2012. Mrs. Rodeheaver is a Certified Public Accountant, a Certified Financial Planner and a member of the Maryland Association of Certified Public Accountants, and she is a graduate of the Cannon Trust School, the Northwestern University Graduate Trust School and the Maryland Bankers School. She is currently serving in her second term on the board of directors of the Maryland Bankers Association, where she also serves as the Chairman for the Council of Professional Women in Banking and Finance. Locally, Mrs. Rodeheaver serves on the Board of the Garrett College Foundation, where she is a member of the Development Committee and the Spring Benefit Committee. She continues her education and professional development by attending various conferences and workshops focused on financial accounting and management for the banking industry. In addition to her service with the Corporation and the Bank, Mrs. Rodeheaver owns and operates Rodeheaver Rentals, an unincorporated entity that owns and leases commercial and residential property, and several residential apartments that she leases to tenants.

Gary R. Ruddell obtained a B.A. degree in marketing from the University of Maryland and has also attended various Maryland Banking sessions. His business experience includes service as the president and chief executive officer of Total Biz Fulfillment, a successful logistical and back-office support services business. Mr. Ruddell is involved in his community and holds officer and director positions with various community organizations. He has served as a Director of the Corporation and the Bank since 2004.

I. Robert Rudy has served as a Director of the Corporation and the Bank since 1992. His education includes a Bachelor of Business Administration degree from Ohio University. His vast business experience has been gained through his ownership and operation of I. R. Rudy's, Inc., a retail apparel and sporting goods store. His director experience includes Chairman of the Board of Sports Specialists, Ltd, a national retail buying group, and as trustee of The Ohio University Foundation. He also has leadership experience gained from and involvement with various societies, boards and commissions, including the Ohio University College of Business Society of Alumni and Friends from 2003 to 2006, Ohio University College of Business Executive Advisory Board since 2006, Ohio University College of Business Global Competitive Program during 2008 and 2009, Ohio University President's CEO Roundtable, Maryland Fire Prevention Commission – Commissioner, Certified Level II Instructor for the Maryland Fire and Rescue Institute from 1978 to 1990, and Chairman of Oakland Planning and Zoning Commission. Mr. Rudy is also a retired Chief of the local Volunteer Fire Department.

Marisa A. Shockley has served as a member of the Advisory Council for the Corporation for the past two years. She has significant business experience through her service as the Vice President and Chief Financial Officer of Shockley Honda in Frederick, MD, an automobile dealership. She has served as the President of the Maryland School for the Deaf Foundation since 2004 and was the Chairman for the Maryland Auto Dealers' Association from 2011 to 2013. She was also recognized as a TIME Quality Award regional finalist.

Richard G. Stanton has significant banking and business experience through 38 years of service with various financial institutions, including as past Chief Executive Officer of the Corporation. He has served as a Director of the Corporation and the Bank since 1985 and is very active in the Garrett County, Maryland community, a key market for the Corporation.

Robert G. Stuck has many years of business experience gained through his ownership and operation of Oakview Motors, Inc., an automobile dealership. He also brings local real estate knowledge to the Board through his service as a real estate agent for Long and Foster Realtors. Mr. Stuck has served as a Director of the Corporation and the Bank since 1995.

H. Andrew Walls, III has significant business experience gained as the owner and operator of Morgantown Printing & Binding, a large printing company, for 15 years. He is active in the Monongalia County, West Virginia community, one of the Corporation's market areas. In addition to serving as a Director of the Corporation and the Bank since 2006, Mr. Walls has acquired director experience through his service on the boards of directors of the United Way, the

Public Theatre, the Red Cross, and the Salvation Army.

CORPORATE GOVERNANCE MATTERS

Committees of the Board of Directors

The Board of Directors has an Audit Committee, an Asset and Liability Management Committee, an Executive Committee, a Strategic Planning Committee, a Compensation Committee, a Nominating and Governance Committee, and a Directors' Risk and Compliance Committee. These committees are discussed below.

Audit Committee – The Audit Committee is established pursuant to Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and consists of M. Kathryn Burkey, Paul Cox, Jr., John W. McCullough (Chairperson), Elaine L. McDonald, Richard G. Stanton, and Robert G. Stuck. The committee is responsible for the hiring, setting of compensation and oversight of the Corporation’s independent registered public accounting firm, and it also assists the Board in monitoring the integrity of the financial statements, in monitoring the performance of the Corporation’s internal audit function, and in monitoring the Corporation’s compliance with legal and regulatory requirements. In carrying out its duties, the committee meets with the internal and independent auditors, with and without management present, to discuss the overall scope and plans for their respective audits, the results of their examinations, their evaluations of the Corporation’s internal controls, and the overall quality of the Corporation’s financial reporting. The Board has determined that all audit committee members are financially literate and that Mrs. Burkey and Messrs. McCullough and Stanton each qualify as an “audit committee financial expert” as that term is defined by the Securities Exchange Commission (the “SEC”) in Item 407 of Regulation S-K. This committee met five times in 2013. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on the Corporation’s website at www.mybank4.com.

Asset and Liability Management Committee – The Asset and Liability Management Committee consists of Paul Cox, Jr., William B. Grant, Robert W. Kurtz, John W. McCullough, Donald E. Moran, Carissa L. Rodeheaver, Gary R. Ruddell, I. Robert Rudy, Richard G. Stanton, and Robert G. Stuck. The committee reviews and recommends changes to the Corporation’s Asset and Liability, Investment, Liquidity, and Capital Plans. This committee met four times in 2013.

Executive Committee – The Executive Committee consists of David J. Beachy, M. Kathryn Burkey, William B. Grant, Robert W. Kurtz, Elaine L. McDonald, Gary R. Ruddell, Robert G. Stuck, and H. Andrew Walls, III. The committee has the authority to review and recommend changes to the Corporation’s insurance program, review the Corporation’s compliance with the Charter and Bylaws, monitor the performance of the Corporation and its subsidiaries, and recommend changes to the personnel policies of the Corporation and its subsidiaries. The Executive Committee is empowered to act on behalf of the full Board between meetings of the Board. This committee did not meet in 2013.

Strategic Planning Committee – The Strategic Planning Committee consists of David J. Beachy, M. Kathryn Burkey, Paul Cox, Jr., William B. Grant, Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, Donald E. Moran, Carissa L. Rodeheaver, Gary R. Ruddell, I. Robert Rudy, Richard G. Stanton, Robert G. Stuck and H. Andrew Walls, III. The committee focuses on long-term planning to insure that management’s decisions take into account the future operating environment, the development of corporate statements of policy, and review of management’s internal and external information and communications